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Absolute Liability: is an obligation without condition or contingency; a definite, unrestricted, unqualified or undoubted liability; opposite of contingent liability.

Absolute Ownership: is the ownership of a property or an asset free from an encumbrance, restriction, deficiency, or doubt; a perfect and final title of ownership.

Accelerated Cost Recovery System (ACRS): is an accounting system allowing faster recovery of the asset's cost through accelerated depreciation expense charge on income and larger tax benefits in the earlier years; purpose of ACRS is to encourage investment in plant, machinery, equipment and manufacturing capacity.

Acceptable Collateral: is an asset or a property pledged as collateral, satisfying lender's criteria for security for a credit based on the realizable value, encashibility and convenience of the collateral.

Acceptance: is a promise to pay a financial instrument such as a bill of exchange, or a time draft on the due date; a type of authenticated financial document. Acceptances are negotiable instruments, widely used for international trade financing; they can be bought and sold before the maturity like a promissory note, and the holder or the acceptor is liable for the payment of stated amount. Acceptances originates from a bill of exchange or a time draft, if the draw writes as "accepted" on the instrument; if a bank accepts an instrument, it becomes a Banker's Acceptance.

Acceptor: is a person or a party, normally a bank or a financial institution who accepts a bill of exchange or time draft, and in the process the accepting party becomes responsible for payment of the acceptance instrument upon maturity to the party named in the draft.

Access to Capital Markets: is the ability of a company to raise long-term funds from capital markets as equity or loan finance, based on its financial strength, its current debt-equity ratio and capital structure, management and ownership, its future performance outlook and potential profitability, and allied factors like industry or sector risks; access also means the ability to operate or do business in capital markets.

Access to Credit: is the ability or capacity of borrowers to avail credit facilities especially from institutional sources by direct borrowing, or the use of credit arrangements through various borrowing instruments, depending upon the financial strength and creditworthiness of the borrower.

Accommodation Loan: is a type of loan extended as an act of goodwill or assistance without tangible consideration, money or collateral; a method of assistance in meeting financial commitments.

Account Holder: one who maintains a deposit account with a bank to make deposits and withdrawals by cheque or cash as per agreed terms and conditions; a person, a firm, or a company maintaining accounts with banks for deposits and withdrawals as per agreed terms and conditions.

Accountability: is the system of assigning responsibility for actions or the decisions taken; a system of making someone answerable for his decisions, actions or performance.

Accountant: a skilled person trained to keep books of accounts of a business; to design and control systems of accounts; to give tax advice and preparing tax return; a person authorized under applicable law to practice as a chartered accountant or a public accountant.

Accounting and Auditing Requirements: these are a set of rules, procedures and guidelines stipulated by the authorities concerned; or voluntarily adopted by the accountants, and auditors to maintain books of accounts reporting financial transactions, disclosure of financial information, and preparation of financial statements; a standard audit guideline for checking and scrutinizing financial statements and accounts, aimed at standardizing financial accountability and performance evaluation of businesses, enterprises and financial institutions.

Accounting Conventions: are the fundamental concepts, principles and methodology developed by International Accounting Standards Board and generally accepted by accounting bodies to maintain books of accounts, to report financial transactions and disclosure of financial information, and preparation of financial statements.

Accounting Rules and Procedure: are the rules, procedures, and methods of accounting concerning recording and reporting of balance sheet items, financial statements, accruals, transfers, credit and debit, financial transactions, and others as prescribed by accounting bodies and generally accepted by the accountants for maintaining books of accounts and financial statements.

Accounting System: is a system of collecting, classifying, recording, maintaining and reproducing financial information; includes accounting forms, records, instructions manuals, flow charts, programs, reports and books of accounts to suit the particular needs of the business.

Accounts Payable: are amounts due and payable to others within a specified period of weeks or months, for outstanding payments, or for goods or services purchased on credit. These do not include loans or notes payable.

Accounts Receivable: are amounts due from others; such as amounts due for goods and services supplied on credit, but does not include amounts classified as uncollectable.

Accounts Receivable Loan: is a short term credit line against borrower's receivable as collateral. This type of loan is extended for less than full value of receivables; it is relatively more expensive since it is priced at spread above the prime rate, but is sought by business because it is flexible and is closely aligned to their trading cycle; typically, it is a line of credit readily available to the borrower for draw down depending on the timing of their financing needs.

Accrual Basis: a system of accounting where receipts and payments are entered into accounts at the time of transaction, rather than at the time the cash settlement takes place; for example, revenues are recognized and entered into accounts when the goods or services are sold, independent of the actual cash inflows or cash receipts for the sale; likewise, expenses are recorded at the time expense is incurred, instead of the time of actual cash payment; this is in contrast to cash basis of accounting, where the transactions are recorded on the basis of receipts and payments or actual cash inflows/outflows which may distort the financial position for the accounting period concerned. The accrual basis of accounting is widely used in financial reporting and is part of GAAP (Generally Accepted Accounting Principles).

Accrued Interest and Taxes: are interest charges, incurred but not yet paid and booked as an expense along with a corresponding liability for the unpaid amount or taxes chargeable to an accounting period but not yet paid.

Accrued Income: is income earned but not received, and recorded as income with a corresponding entry for receivable amount.

Accrued Interest Receivable: is interest earned but not received on securities with fixed maturities such as bonds, time deposit, or certificate of deposit; such securities can be sold with the accumulated interest and the buyer has to pay a price covering both the value of the security plus accumulated interest. Accrued interest is reported as an asset item in the balance sheet.

Accrued Liability: is an obligation or a debt properly chargeable in a given accounting period but not paid; accrued but unpaid expenses; a matured bond due for payment; a loan installment due for payment.

Accumulated Profit: profit or return on investment kept as undistributed profits, or in reserve, or kept as retained earnings.

Accumulation Factor (acf): is the compounding factor but not the compound rate as derived from the formula below; it is used in calculating accumulated value similarly as future value; the **acf** of one rupee per period for a number of periods, **n**, at the periodic interest rate, **i**, which may be monthly, quarterly or semi-annual and the number of payments in a given year.

$$acf = [(1+i)^n-1] \;/\; i$$

Given the **acf**, the accumulated future value **(fva)** of a cash flow **(cf)** over **n** number of periods at rate **i** is given by

$$fva = cf \times acf = cf\,[\,(1+i\,)^n - 1]\;/\;i$$

The pre-calculated values of **acf** for different combination of **n** and **i** are available from financial tables, or a financial calculator can be used to derive these numbers. Suppose that a simple annuity of Rs 10,000 per year is paid for 8 years, and if the rate of interest is 12 percent, the **acf** is 12.3 and the accumulated value of the annuity is Rs 122,997 for 8 annual payments; if Rs 3000 are regularly deposited in a saving account each quarter of the year at an annual rate of interest of 15 per cent then for six years, the **acf** is 8.75 and accumulated value of the account will be Rs 26,261; if a machinery is expected to be replaced after 8 years owing to its full depreciation and replacement cost is Rs 700,000, then the company needs to deposit Rs 56,912 annually to fully cover the replacement, provided annual rate of interest is 12 per cent; in this case the **acf** is 12.29; in practice, these calculations can be easily done by using a financial calculator, but the underlying methods and principle need to be clearly understood.

Acid Test Ratio: is a key liquidity ratio; it is the ratio of quickly convertible current assets, excluding inventory, to the total current liabilities of a company; it is a measure of short-term repayment capacity of the company; also called Quick Ratio.

Acquirer: a bank, a company or a person acquiring control over another business entity against cash, assets, shares or a combination thereof.

Acquisition: is a take-over or a merger of a business or a company through leveraged-buy-out (LBO), or acquisition of controlling shares by a stronger and healthier business concern or by a group of investors.

Acquisition Cost: are costs incurred on the acquisition of a business, or a bank, or an organization, including the acquisition price, legal or other related costs.

Acquisition Method: is the method of acquiring or purchasing a bank or a company such as outright purchase against cash or swap with common stock.

Acquisition Premium: is the excess of acquisition price over actual value of net assets of the acquired entity.

Acquisition Price: is the price paid by the acquirer consisting of the net value of assets plus premium, if any.

Across-the-Board Relief: is general relief provided to an industry, a sector, or a section of the economy benefiting all those engaged in the industry or the sector across the board.

Activity Ratios: also called asset management ratios, turnover ratios, or asset utilization ratios; these ratios measure how effectively assets are managed and used in a company or in a business to maximize returns and profits. These ratios gauge the productivity and efficiency of assets and include; *Total Assets/Turnover Ratio, Inventory/Turnover Ratio; Receivable/Turnover Ratio; Fixed Assets/ Turnover Ratio. (see Ratios, Turnover Ratios)*

Actual Cost: is actual price plus all the charges incurred in the purchase of an item, which may not necessarily be the market value of the item; a term which may have various meanings according to the context in which it is used; for a manufactured item, it may include cost of raw material used, labor costs, and a proportion of overhead cost.

Actuary: an expert in statistics, capable of assessing insurance risks and determining the premium through actuarial calculations; for example, determining life insurance premia and terms of life insurance policies using life tables and demographic trends.

Actuarial Valuation: are methods and procedures used by an actuary to estimate the present value of future benefits payable on contractual terms, such as retirement benefits under pension plans or insurance benefits under insurance plans.

Add-on Interest: is interest charge calculated on the original loan amount, and added to the principal amount of the loan for the period of loan, not taking account of the reduction of principal by installment payments; therefore, actual or effective interest rate for the borrower is higher than interest rate stated in the loan document.

Adequate Disclosure: to provide sufficient information through the annual accounts, necessary for understanding, interpreting and arriving at conclusions regarding financial health of the business; minimum information required by bank for processing credit request; financial information to be disclosed as per rules and regulations.

Adequate Provisions: is to provide enough funds to cover possible losses or contingent liabilities; for example, provisions made by banks for bad and doubtful debts; or provisions required by the State Bank of Pakistan under prudential regulations for nonperforming loan portfolio of a bank or a financial institution. *(see Provisioning)*

Adherence to Loan Covenants: is compliance with the mutually agreed terms and conditions of a loan or a credit facility.

Administered Interest Rates: is a system where interest rates are managed by a supervisory institution, usually central bank; or a system where interest rates are not determined by the forces of demand and supply.

Administered Rates: are rates, tariffs, and charges of public utilities determined by the government such as electricity, gas, telephone and other public utilities determined by the government; these rates can not be raised by the public utility companies or the departments without government’s approval.

Administrative Costs: consist of recurring expenses on establishment of a business, a company or a bank, where the main items of expense are payroll, employee benefits, rent and maintenance of office buildings and facilities, transport, communications, medical facilities and other recurring expenses.

Advance: is a general term embracing various categories of lending by banks; in business, advance may mean payment made before receipt of goods or services.

Advance Payment: is to make a payment before the transaction is fully completed; to pay an advance amount to secure a transaction or a sale; a payment made in anticipation of a contingent or fixed future liability; a payment made for a specific purpose as agreed upon by the parties, and may have to be returned by the counterparty for nonperformance of his obligation.

Advertising Expenses: are expenses incurred to promote and enhance sales of a product or a brand name; expenses incurred on publicity of a new product or a new service for its launching or introduction in the market.

Advice: in banking, a formal intimation from a bank to another bank, branch or a customer about a transaction which has affected the account of the counterparty and must be brought to his notice as information or confirmation; the transaction may be a payment, transfer, a credit or debit, a deposit or withdrawal.

Affiliated Company: is a company closely related to another through a less than 50% ownership by the parent company; but if one company owns more than 50% of the stock in another company then the company is a subsidiary.

Agency Arrangements: is an agreement executed by the principal party appointing another party as its agent, thus authorizing the agent to represent and conduct transactions on its behalf; for example, a trading company appointed by a manufacturer as its sole distributor; or a bank appointed as an agent by its client to represent the client for loans or financial transaction; or an individual who may authorize others to represent his interests through executing a power of attorney.

Agency Bank: is a bank acting as an agent of another bank, offering pre-agreed banking services such as honoring remittances, letter of credit advising and providing credit information; such banks, however, cannot accept deposits or make loans under their own names.

Agreement Letter: is a written instrument of evidence for an agreement between two or more parties on the points, issues or terms concerned.

Agriculture Credit Cooperatives: are cooperatives formed by the farmers with the objective to collectively raise credit from the market in their joint names to purchase inputs and agricultural implements or to meet land development costs.

Agriculture Loan: are loans and advances for financing agricultural activities; for purchase of agricultural inputs, machinery and equipment for land improvement; to facilitate production and marketing of agricultural commodities.

Ailing Bank: is a bank facing chronic and severe financial problems due to major losses, mainly arising from a badly impaired loan portfolio, or nonperforming assets, jeopardizing its solvency or its survival, if no satisfactory resolution of these losses is available, or if no additional equity contribution is forthcoming from the shareholders.

Ailing Enterprises: is an enterprise incurring persistent operating losses, and suffering with diluted equity; an enterprise facing chronic financial problems, jeopardizing its solvency or survival.

Allocated Credit: is a credit earmarked or set aside for a specific purpose, or a project, or a sector; a credit not available to sector or industry other than those for which it is allocated.

Allocated Losses: are identifiable losses accruing to a specific project or activity and are therefore allocated to that activity; the purpose of allocation is to evaluate the performance of different segments of a business, or a company.

Allocation of Resources: is the process of earmarking resources for a specific purpose, project or sector of economy.

Allocator of Credit: under a system of directed credit, a monetary authority or a formal body responsible for earmarking credit supply for various purposes, or projects or sectors of the economy; under a market based credit system, banks mobilizing resources and extend credit, thus they perform the role of credit allocation on market terms and conditions.

Allowance for Bad Debts or Loans: are provisions made to cover estimated losses in the loan portfolio of a bank; if a loan is to be written-off, its book value is deducted from the reserve amount for losses and it is removed from the loan portfolio and the balance sheet of the bank.
(see Loan Loss Provision)

American Institute of Certified Public Accountants: is the professional association of Certified Public Accountants (CPAs) in the USA; undertakes development and improvement of accounting standards and practices.

American Style Option: an American style option can be exercised at any time up to the expiry date as against the European which can be exercised only at maturity; option is a unilateral action where under the terms of contract, only the seller has an obligation to perform; by issuing an option, the hedger protects its position against losses.

Amortization: are contractual periodic repayments of a bank credit on specified dates; reduction in principal amount outstanding on a loan by regular installment payments due on specified dates; payment of dues from operating cash flows, income, or sinking fund.

Annual Report: is a report prepared once in a year for a company's shareholders and other interested parties; it includes a balance sheet, profit & loss account, a statement of changes in financial position, profit appropriation account, a summary of significant accounting policies, explanatory notes, auditors report and comments from management about the year's business and prospects for the next year; all joint stock companies are required to issue an annual report.

Annuity: is a regular, periodic payment for a specified period as stipulated in a contract; it may be fixed or variable. Fixed annuities specify a steady flow of contractual payments for a fixed period; for example, in an investment, fixed annuities guarantee repayment of invested principle and interest over the life of annuity agreement. In life insurance, annuities are the periodic fixed payments by the buyer, also called contractual savings, in return to receive benefits from the insurance company in future as per life insurance cover agreement, which may be in a lump sum, or fixed annuity which are receipts or cash inflow for the purchaser over a defined period. In pension plans, annuities are the pension payments in lieu of pension contributions made during active employment. Variable annuities involve variable amounts of payments; such as for investors, guaranteed repayment of invested principal, the interest, plus an amount based on the capital appreciation of a portfolio, thus providing a hedge against inflation.

Antitrust Law: legislation aimed at preventing business practices which limit market competition, such as monopoly or collusion; legislation exist in different countries to promote fair market practices and competition.

Application Fee: a fee payable along with application of loan or a credit facility; applicants of credit are usually required to pay a non-refundable fee for processing their application; in certain cases an appraisal fee is also charged in advance as a percentage of the amount of credit applied; this fee is refunded if credit request is declined after preliminary appraisal.

Appraisal: is the determination of the viability or the feasibility of a project, or an investment, or a business venture; appraisal may be financial or economic; financial appraisal concentrates on the financial flows, outlays, receipts and payments, is based on the evaluation of financial costs and returns over the life of project, or the business, or the investment; usually financial costs are fairly well known, but streams of returns over the lifetime are sensitive to the underlying financial assumptions, critically affecting results of a financial appraisal; economic appraisal is based on financial appraisal, but financial values are adjusted for their economic values, specially for stream of returns, thus changing the results of financial appraisal.

Appraisal of Collateral: is the estimate of the market value of a collateral by a qualified appraiser, based on an analysis of relevant data; a market value estimate is used as the basis of determining collateral value in bank lending; it is based on replacement cost, sales of comparable property and expected future income from income-producing property.

Appraisal of Project: is financial or economic evaluation of a project to determine its viability or the feasibility based on an evaluation of costs, risks, returns, and project performance over the lifetime of the project; or based on the internal rate or return of the project; a critical step in investment decisions.

Appraisal of Property: is assessment and evaluation of market value of a property by a qualified appraiser based on several factors mainly the market trends.

Appraiser: is a person or a company qualified to do appraisals, selected or appointed by an authority or an interested party to make an appraisal; one who evaluates and ascertains the current market value or the true value of assets or real estate.

Appreciation of Value: is the increase in the market value of an asset or a security through an increase in its market price over a time period.

Appropriate Provisions: adequate financial cover or protection against anticipated obligations, liabilities, or losses, or for any other purpose.

Arbitrage: is to take advantage of the difference in prices prevailing in two markets; for example, a purchase of a currency, a commodity or a security in one market for sale at another market for higher prices; or, borrowing at a lower rate in one market and lending at a higher rate in another; arbitrage is of several types such as interest rate arbitrage, risk arbitrage, or maturity arbitrage, depending on the type of transaction conducted.

Arbitration: in legal sense, it is referring of a dispute between two or more parties to an arbitrator, appointed mutually by the contesting parties, to reach a resolution, or a compromise.

Arrangement with Creditors: is arrived at by a borrower involving a scheme or a plan agreed with creditors to reschedule or restructure a debt.

Arrears: are unpaid debt or dues accumulated over a period of time; overdue payments arising from principal or interest amount due on a loan, if the over due payments are not cleared in due course; arrears may accumulate consisting of the overdue principal interest charges, penalties and fees levied for non-payment; or, unpaid dividends on preferred stocks.

Arrears Ratio: for a single loan, it is the ratio of overdue payments to the loan balance outstanding; it shows the proportion of the default on a loan; for the loan portfolio of a bank, it is the ratio of arrears to the amount of all loans outstanding

Articles of Association: is a document filed with the appropriate registration authority on the incorporation of a business, defining ownership, types of business activities, rules and regulations governing the mode or the conduct of business of the incorporated company and its internal operations.

Artificial Person: is a business company created under company law with its own charter, having its own legal entity separate from its owners or shareholders, and treated as an artificial person for legal, financial or business purposes.

Assess: is to evaluate or to estimate the value, the net worth, together with risks associated with an investment or a business activity.

Asset: is an item of value in the possession of an institution, a business or an individual; it could be a tangible or an intangible asset of several types depending on the line of activity or the business; for example, for a bank its assets are its loan portfolio, investments, placements with other banks, interest or dividends receivable, balances with the central bank, among others.

Asset Based Loan: are loans collateralised by financial assets and repaid through the liquidation of those assets, or through their sale proceeds such as loans advanced with the backing of receivables or inventory;

Asset Classification: classification of assets based on the type, title, maturity, reliability or recoverability of the asset, or their risks; for balance sheet purpose assets are reported as current and non-current assets. *(see Classification of Assets)*

Asset Conversion: is to transform an asset into cash or into another asset through business operations; for example, in the operating cycle of a business, the transformation begins with the use of cash into raw material purchase, followed by processing and manufacturing of the raw materials into finished goods, which are then transformed into sales, the turnover, creating receivables, followed by collection, thus converting back the receivables into cash.

Asset Diversification: is a key element of asset management and is undertaken to reduce the overall risk of a portfolio by diversifying the types of assets held with due regard to their risk and return aspects in an attempt to maximize the overall return of the portfolio; this requires a continuous monitoring of the assets, specially during volatility in financial markets and during periods of high inflation and interest rate fluctuations.

Asset/Liability Management: Primary objective of asset/liability management for a bank is to safeguard balance sheet of the bank from various types of risks, particularly interest rate risk operative both on liabilities and assets of the bank. Since deposits are bulk of the liabilities of a bank, and loans outstanding are the major asset, changes in interest rates could cause a substantial change in the net interest income or may even lead to major losses, unless the bank takes enough safeguards against interest rate movements. This risk may originate, to begin with, from a mismatch in the maturity structure between deposits held and loans outstanding because of significant divergence in interest rates associated with these maturities. The risk may be enhanced depending on interest rate movements because of switching by borrowers between various types of loans, or by depositors between various types of deposits, though in a much narrow range, and unless the bank is able to compensate on both asset and liability side of its balance sheet, it is likely to suffer a loss. For example, in times of falling interest rates, banks would like to reprice their liabilities faster than their assets; that is, lower their interest rates on their deposit liabilities faster than interest rates on their loans, their assets; hence their balance sheet is more liability sensitive. The borrowers would also like to reprice their liabilities as well, that is they would refinance old loans at higher interest rates with new loans at lower interest rates, but in doing so they are repricing assets of the bank downwards, just the opposite of what that is, manage their liabilities with respect to interest rate risk, they are likely to suffer a loss. Similarly, in times of rising interest rates, interest income of banks increases relatively faster than their interest costs, mainly because banks reprice their loans faster, or more effectively, than their deposits to reflect market interest costs, or because the structure of deposit interest rates is regulated preventing a full impact of rising interest rates on deposits. In this situation the balance sheet is relatively more asset sensitive with rising interest income. While banks are repricing their assets, depositors also would like to reprice their assets upwards, thereby narrowing the spread of

bankers. The essence of asset liability management by banks, therefore, lies in resolving these market trends to sustain their income and profitability.

Asset/Liability Ratio: is the ratio of assets to the liabilities excluding equity; indicates the financial strength of a business or a company relative to its obligations.

Asset/Liability Risk Management Committee: a committee established by a financial institution responsible for asset/liability risk management and it is one of the few important committees within an institution; its foremost task is to safeguard the bank's balance sheet from the adverse and unfavorable effects of major financial trends such as changes in the interest rate, degree of exposure to various lending risks, changes in the risks associated with the investment portfolio, and changes in funding risks.

Asset Life: is the useful life of an asset, financial or economic; the time period of income, revenues or economic benefits generated by an asset.

Asset/Loan Ratio: for a company or a bank it is the ratio of total assets to total loans borrowed and outstanding; it shows the debt burden of a company relative to its total assets.

Asset Management Ratios: are activity ratios or what the same, the turnover ratios is and provide a measure of how effectively assets are managed and used in a company or in a business to maximize returns and profits. *(see Activity Ratios, Turnover Ratios)*

Asset Revaluation: is the appraisal of the value of an asset based on the current market value or the replacement cost of the asset and other relevant factors as applicable under procedures and methods concerning revaluation.

Assignment: is transfer of ownership, title, or a right or an interest in a property by present owner or holder of the property to another; an assignment may be absolute or by way of charge as in case of a collateral.

Assignment for Benefit of Creditors: if a borrower is unable to pay his debts may call creditors together and offer to legally transfer his assets to a trustee for disposal of the proceeds apportioned amongst creditors according to the amount of their claims in full discharge of the amount due.

Associated Company or Bank: if in a company or a bank, another company or a bank holds share capital between 20 percent and 50 percent, then such a company is regarded as an associated company; if the investment exceeds 50 percent, then the associated company is a subsidiary company; if the investment is less than 20 percent, then the investing company is considered to hold a long-term investment in the invested company.

Attachment: is a legal process by which the property or earnings belonging to a debtor are sought or taken over to satisfy creditor's claim decreed by a court.

Attorney's Lien: is the right of an attorney at law to hold or retain in his possession the money or property of a client until his professional charges have been paid; it does not require a judicial proceeding for its establishment.

Auction Value: is the price or value of an item or a property which the auctioneer considers highest and signifies his acceptance by closing the bidding; this price or value is binding on both auctioneer and bidder and neither can back out.

Auctioneer: is a person authorized or appointed by agreement, or licensed to sell goods or property of other persons at a public auction; one who sells goods at public auction for a commission; auctioneer differs from a broker in that a broker may both buy and sell in a direct transaction, whereas auctioneer can only sell by public auction.

Audit: is the examination and verification of accounts and financial records of a company or an institution for their accuracy and authenticity conducted by an auditor, and auditor's report or letter of opinion, qualified or unqualified, is submitted to the shareholders and is included in the annual report of a company.

Audit and Exam Committee: is a committee of the board of directors of a company responsible for auditing, examination and verification of financial records; the committee may nominate independent or external auditors to conduct the audit of a company, and report to the shareholders.

Audited Accounts: are accounts and financial statements such as balance sheet, profit and loss account, statement of changes in financial position and related data of a company duly audited and certified by a qualified chartered accountant working as external auditor.

Auditing and Reporting Requirements: are requirements of regulators or accounting and auditing bodies with respect to principles, procedures and methods of auditing and the manner in which certification of accounts and reporting is to be done by auditors.

Auditor, External: is a certified public accountant or chartered accountant who is not an employee of the company, and is retained on fee basis for his services to check the accuracy, fairness and general acceptability of accounting records, accounting statements, and reports to the shareholders of the company.

Auditor, Internal: is an officer of a business or a company, may or may not be a Chartered Accountant or CPA, employed for examination, verification and accuracy of accounts and financial records of the company; is responsible for enforcing compliance to rules, regulations, and procedures of a company concerning financial transactions; is a key link in the system of financial control; also responsible for detection of inaccuracies, misappropriations, fraud or embezzlements committed by employees of the organization or by the outsiders.

Authentication: is formal verification of the genuineness of a bond, a document, or a signature; in electronic funds transfers, authentication is a method of verifying that a payment instruction has in fact originated from the sending bank, and has not been tampered with by an unauthorized party.

Authorized Bank: is a bank authorized by another bank or a customer to perform certain functions, or to carry our certain transactions as per stipulated instructions; a bank authorized by the central bank for foreign currency transactions.

Authorized Capital: is the maximum amount of capital of a company as authorized or fixed by its memorandum of association; also called the nominal or registered capital.

Authorized Dealers: are banks and money changers authorized by the central bank to hold and deal in foreign exchange; also, banks and some brokerage houses authorized to deal in primary market for government securities.

Authorized Signature: is the signature of an individual who in his personal or representative capacity, is formally authorized and allowed to put such signature in order to issue instructions, draw instruments or enter into an agreement or a deal.

Automated Clearing House (ACH): computer-based clearing and settlement facility for interchange of electronic debits and credits among financial institutions. ACH entries can be substituted for cheques in recurring payments or in direct deposit distribution of government and corporate benefits payments.

Automated Teller Machine (ATM): are machines installed by banks to dispense cash withdrawals to the account holders like a bank teller; computerized machines linked with the data base of the bank, enabling customers to draw down cash without the need to line-up at a bank counter, by using a magnetically encoded bank card that verifies the customer through specific identification numbers, checks available account balance or line of credit on an account, and dispenses cash withdrawals; specially useful to customers in nonbanking hours.

Automatic Debiting: is a computer-based automatic system for affecting all debit entries in a client's account relating to various payments made by or on behalf of a client.

Automatic Loan: is a facility or arrangement under which a loan is automatically created without a specific request; for example, a purchase made on credit card creates an automatic loan until the cardholder's account is debited after repayment; in insurance a loan may be created automatically by the insurance company, against the surrender value of the policy, for recovery of due premium and preventing the policy from lapsing.

Automatic Procedure: a procedure operating without human intervention; initiated automatically without discrete controls and specific intervention.

Autonomous: a corporation or a financial institution having the authority or the right of self-governance; an independent institution managing its day to day affairs without interference, control or direction from government or other apex body; for example, a central bank, or other institutions created as an autonomous body, free to operate within their own laws and rules governing their establishment and operations.

Autonomy: is the power or right of self-governance; self-managing or self-regulating institutions; extending autonomy to an institution, a department or a person means giving authority or the right to decision-making.

Available Balance: an account balance which a customer can actually draw or use; the current balance in an account less amount of uncleared items, if any.

Available Credit: credit ready for use by the borrower; in credit card accounts, it is the difference between the outstanding balance and the cardholder's credit limit; in a line of credit authorized by a bank, it is the unused amount available for draw down or disbursement.